

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 738 – SB 734

March 28, 2018

**SUMMARY OF ORIGINAL BILL:** Creates the Joint Higher Education Audit Committee (JHEAC). The committee shall be composed of nine members as follows: three members of the Senate, appointed by the Speaker of the Senate; three members of the House of Representatives, appointed by the Speaker of the House of Representatives; the Comptroller of the Treasury, or the comptroller's designee; the executive director of the Tennessee Higher Education Commission (THEC), or the executive director's designee; and the State Treasurer, or the Treasurer's designee.

The JHEAC shall meet in an organizational meeting prior to July 1, 2017, and shall meet as necessary, but not less than four times prior to September 30, 2017. Requires the JHEAC to elect a chair, vice chair, and other officers as it deems necessary at its first meeting. Requires the JHEAC to make a recommendation in regards to the hiring of an audit consultant as soon as possible, but no later than November 30, 2017. Authorizes the JHEAC to perform certain functions including, but not limited to: requesting the assistance of THEC and other departments, agencies, and other governmental agencies in performing duties; employing staff to assist the joint committee in performing its duties, subject to the availability of funds; conducting hearings within the scope of its duties; entering into contracts for technical or professional services; creating subcommittees related to its purpose; performing such duties as required to achieve the objectives of making public higher education systems and institutions operate more efficiently and to make use of state resources in the most efficient manner.

Sets forth duties of the JHEAC which include, but are not limited to: defining the scope of the audit; issuing requests for proposal (RFP) for consulting services in defining and setting the scope of the audit and for the performance of an efficiency audit; reviewing RFP proposals that are received; requesting authorization and funding to implement efficiency audits; and reviewing the audit's findings and recommendations.

The JHEAC shall select an entity for consulting services and make its recommendation to the legislature by November 30, 2017. Requires the State of Tennessee to contract with the selected entity for the performance of efficiency audits of the public higher education institution and systems. Requires the JHEAC to publish reports at the beginning of the 2019 session of the 111th General Assembly, and the 2020 and 2021 sessions of the 112th General Assembly. JHEAC shall report to the General Assembly, the Governor, THEC, and each institution of Higher Education on efforts of the JHEAC in achieving the objectives of making public higher education systems and institutions operate more efficiently.

## FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$2,100/FY16-17

Exceeds \$106,200/FY17-18

Exceeds \$104,100/FY18-19 and Subsequent Years

**SUMMARY OF AMENDMENT (014456):** Deletes and rewrites all language after the enacting clause such that the only substantive changes are to: (1) reduce the JHEAC membership from nine to eight members; (2) require all legislative members of the JHEAC who are duly elected members of the General Assembly to remain members of the JHEAC until the committee makes its final report to the General Assembly; (3) delete and replace language of the original bill regarding deadlines and reporting dates; and (4) establish a repeal date as July 1, 2024.

## FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Expenditures – \$2,100/FY17-18**

**Exceeds \$106,300/FY18-19**

**Exceeds \$104,200/Each FY19-20 through FY23-24**

Assumptions for the bill as amended:

- The JHEAC will be composed of eight members; six of whom are members of the General Assembly.
- Pursuant to the provisions of the legislation, the JHEAC shall meet in an organizational meeting prior to July 1, 2018, and shall meet as necessary, but not less than four times prior to September 30, 2018. Therefore, it is estimated that one meeting will occur in FY17-18 after the conclusion of the 2018 legislative session, but before the end of FY17-18, and that three additional meetings will occur in FY18-19, but before the proposed deadline of September 30, 2018.
- All meetings will require per diem and travel expense reimbursement for legislative members.
- Legislative members receive \$229 per diem per day for official legislative activities and \$0.47 per mile for travel. It is assumed that each member will make a roundtrip of 262 miles per meeting.
- The increase in state expenditures for the one meeting occurring in FY17-18 is estimated to be \$2,113 [(6 members x \$229) + (6 members x \$0.47 x 262 miles)].
- The increase in state expenditures for the three meetings occurring in FY18-19 is estimated to be \$6,339 [(6 members x \$229 x 3 meetings) + (6 members x \$0.47 x 262 miles x 3 meetings)].

- It is assumed the JHEAC will meet an average of three times annually beginning in FY19-20, with two of such meetings occurring outside of legislative sessions.
- The recurring increase in state expenditures for two annual meetings outside of legislative sessions beginning in FY19-20 is estimated to be \$4,226 [(6 members x \$229 x 2 meetings) + (6 members x \$0.47 x 262 miles x 2 meetings)].
- The JHEAC will authorize at least one efficiency audit to be performed annually beginning in FY18-19.
- The JHEAC is authorized to procure and enter into consulting contracts for audit preparation and execution. The extent of any such resources required is unknown at this time; however, based on prior contracting costs for committees, and any costs for the Comptroller or THEC to hire additional temporary or part-time staff as necessary, the recurring increase in state expenditures is reasonably estimated to exceed \$100,000 beginning in FY18-19.
- The total increase in state expenditures in FY18-19 is estimated to exceed \$106,339 (\$6,339 + \$100,000).
- A repeal date of July 1, 2024.
- The recurring increase in state expenditures each year FY19-20 through FY23-24 is estimated to exceed \$104,226 (\$4,226 + \$100,000).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/rbp